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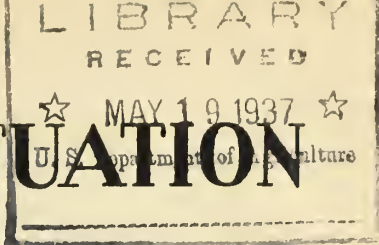
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THE DEMAND AND PRICE SITUATION

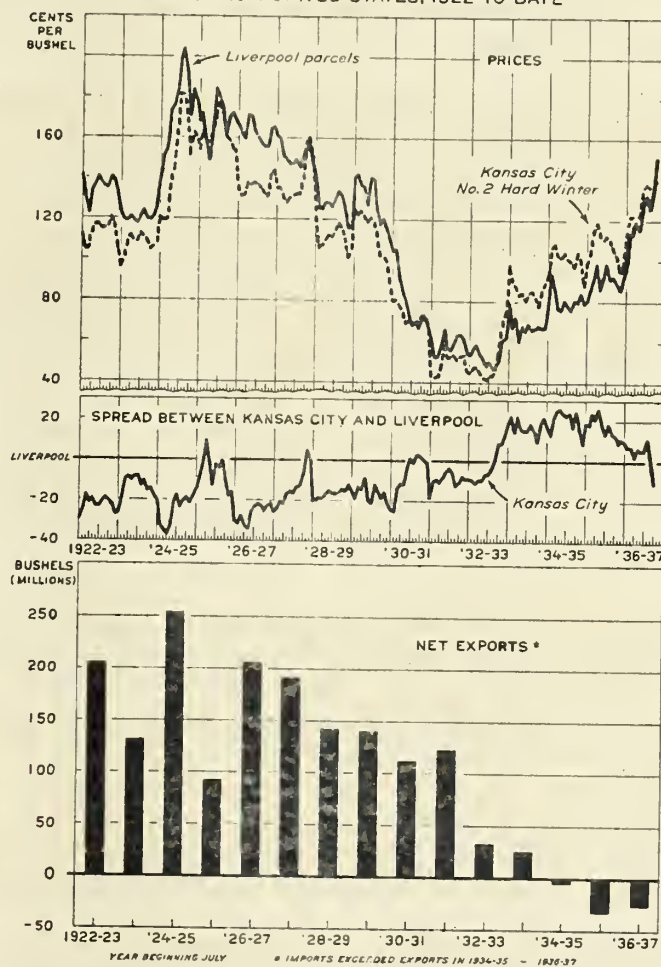
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

MAY 1937



WHEAT: AVERAGE PRICE AT KANSAS CITY AND LIVERPOOL, AND NET EXPORTS FROM UNITED STATES, 1922 TO DATE



U. S. DEPARTMENT OF AGRICULTURE

NEG 31320

BUREAU OF AGRICULTURAL ECONOMICS

NET EXPORTS OF WHEAT, WITH KANSAS CITY PRICES AGAIN BELOW LIVERPOOL PRICES, ARE NOW IN PROSPECT FOR THE 1937-38 MARKETING SEASON. SHORT CROPS AND RELATIVELY HIGH PRICES IN THE UNITED STATES IN THE PAST FEW YEARS HAVE RESULTED IN IMPORTS OF HARD RED SPRING AND DURUM WHEAT EXCEEDING EXPORTS OF OTHER WHEAT AND FLOUR. WITH SMALL WORLD STOCKS THIS YEAR THE UNITED STATES EXPORT SURPLUS MAY BE READILY ABSORBED IN WORLD MARKETS.

There was little net change during the past month in the factors affecting the current consumer demand for farm products in the United States. Relatively small changes are in prospect in the near future. Prices of agricultural commodities which are traded extensively on the futures markets generally held up well in view of the recent general declines in world prices of industrial commodities and changes in speculative sentiment.

The rate of increase in industrial production which has characterized the period since last summer seems to have definitely slackened. However, unfilled orders in many industries and the current strong consumer demand for most types of goods seem to preclude any material recession in business during the immediate future.

The apparent failure of the marked upswing in business to continue beyond the first quarter of 1937 may be assigned to several factors. Among these is the fact that the upswing was based to a considerable extent on increased forward buying in anticipation of possible later difficulties in obtaining supplies and a continued upward price trend. Under some circumstances, the increased general purchasing power which accompanies the greater activity generated by advance buying may be sufficient to absorb the larger output as it appears in the form of finished goods. This is true as a general principle during upswings in the business cycle, and the conclusion that recessions must follow activity of this nature is hardly justified. If, however, semispeculative buying of this nature is carried too far, and particularly if it is concentrated in lines in which final consumption cannot be easily stepped up, the result is a slowing down of the affected industries until consumption can catch up with production.

Another reason why the marked upswing in business which began late last summer apparently is not continuing is the fact that much of the increase was in lines of activity in which there seems to be least room for substantial additional output in the near future. As was pointed out in the April issue of this report, some lines showing the greatest recent improvement are now operating at or near present capacity. If the increases had been more marked in building construction and in some kinds of capital goods, the volume of which has been relatively low, continuance of such increases over a longer period would have been more probable.

Comparisons of the operations of recent months with those of similar periods in other years indicate that in general the production of consumers' goods has been relatively high, while the production of some kinds of capital goods as well as residential construction is far below the levels previously attained, and below the point which it may well reach some time during the present upward phase of the business cycle. Building construction, in particular, while it has been slightly above the corresponding months of 1936, has not experienced the sharp rise which was anticipated by most observers for 1937. Increases in privately financed construction have been more or less offset by decreases in construction publicly financed. Because many commodities, such as steel, are used extensively in the production of both consumers' and capital goods, it is difficult to construct index numbers of production for these two groups of products. The items in the following table, however, give some indication of these trends. It should be noted that the population has increased since 1929, the base year in this table, and that if adjustments were made for this fact the increases in output since 1929 would be less marked. The comparison of different lines of activity, however, is not materially affected by this condition.

Index numbers of volume of production or consumption
of selected commodities

Item	First quarter		
	1933	1936	1937
	(First quarter of 1929 = 100)		
Products bought largely by consumers:			
Cotton consumption	74	86	112
Wool consumption	62	112	129
Rayon deliveries	105	175	199
Silk deliveries	76	69	80
Shoe production	91	118	142
Gasoline	89	114	129
Tobacco products	84	112	126
Vacuum cleaner shipments	47	107	142
Sales of books	68	119	143
New passenger car registrations	28	84	103
Residential contracts awarded	8	26	47
Products bought largely by business men:			
Machine tool orders	6	61	108
Value of contracts awarded-			
Public works	50	111	83
Public utilities	16	49	76
Other nonresidential (1930 = 100) ..	18	53	57
Freight car orders (1929 monthly average = 100)	0	32	99
Locomotive orders (1929 monthly average = 100)	1	26	36
Foundry equipment - new orders	16	60	125
Commercial car registrations	29	124	135

Based on data published in Federal Reserve Bulletin and Survey of Current Business.

Whether or not the leveling off of the trend of industrial activity which now seems to be taking place will develop this summer into a serious interruption of the longer-time cyclical upswing, as many business forecasters now predict, or is merely a temporary minor slackening, will depend upon several conditions. Government spending has been responsible for a considerable part of the increase in purchasing power and general improvement to date, but this kind of spending may be materially curtailed during the next year. Private spending for construction and capital goods will have to increase materially to offset decreased government spending, if general business activity is not to be affected. Thus far, evidence pointing to large increases in business spending for rehabilitation and expansion of productive facilities in the near future is not particularly convincing. New financing for such purposes recently has been of negligible amount. Residential building prospects for this year are less promising than before the recent large increases in construction costs, although increased activity in the construction industry in early May has been unofficially reported.

FOREIGN DEMAND

No changes of immediate importance in the foreign demand situation have occurred since the April issue of this report. There have been some indications, however, of a gradual alteration in the world trade situation which may be of considerable long-time significance to American farmers.

During periods of declining world prices of commodities and general business recession, governments are pressed to "protect home markets" against foreign competition and hold up prices of commodities produced at home. This pressure is experienced in countries in which a considerable portion of domestic consumption is imported, as well as in others where the interests of consumers are less apparent. The response to this pressure is the general erection of barriers to imports, which become barriers to exports by other countries, and result in the general interruption of world trade. As a result, those who sought the "protection" may find themselves in a less favorable position than they would have if it had not been granted.

During periods of rising business activity and commodity prices the need for measures of this kind becomes less apparent, the cost of living rises, consumers rather than producers seek to protect their position, and demands for import barriers decrease. During the present world recovery movement the removal of barriers to international trade has been slow, and world trade has not increased in proportion to the general world economic improvement. Recently, however, there have been signs that the process of relaxing trade barriers is on the way.

While wheat may not be typical in this respect, it may serve as an illustration of a general trend which is much less evident in connection with other commodities. In Germany the import duty on wheat has been reduced for the first six months of the present year, although imports still are subject to various restrictions. The license tax on wheat imports for flour in Sweden has been reduced, although the customs duty was retained and 80 percent of the wheat milled must be domestic wheat. The surtax on hard wheat and wheat flour imported into Denmark was abolished as of January 30, 1937, and the monopoly tax on imports of wheat into the Netherlands was reduced. The license tax on wheat imported into Belgium and the import duty on wheat in the Irish Free State were abolished, and import duties on this commodity in Spain and Italy were reduced. The shortage of wheat in some of these countries, as contrasted with the bumper crops of several years ago, no doubt has been largely responsible for the change in policy. The latter also may reflect changing world economic conditions, and a growing realization that national self-sufficiency is not as advantageous as it has been pictured in most countries.

Economic conditions in Japan appear less favorable, according to recent information received, as a result of rising prices of imports and living costs. The depreciation of the yen since 1931 has been accompanied by marked rises in import prices relative to export prices, and an increasingly larger volume of exports has been needed to buy a given quantity of imported raw material. Such a situation is very important to a country like Japan, which must depend upon other countries for many of its raw materials. Wage rates are near the depression low, whereas living costs have been rising since 1932 with a sharp increase in recent months.

WHOLESALE PRICES

The general level of wholesale prices in the United States declined a little each week from early April to early May, when it was 87 percent of the 1926 average. Lower prices for some farm products are likely with the shift to the new crop basis, but no marked declines in the general level of prices are expected in the next few months.

Most of the price recessions in the last month reflected a drop of 5 percent in prices of farm products and of 4 percent in prices of foods. Prices of commodities, other than farm products and foods, have fluctuated within a narrow range; slight advances in prices of hides, fuel, and lighting materials were offset by lower prices of chemicals and drugs, and metals.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the week ended May 8 was 98 percent of the pre-war average compared with the recent high of 103 in early April and 90 a year earlier.

The recent decline of wholesale prices in the United States was accompanied by lower prices in the major foreign countries. Prices in England, Canada, France, and Germany have declined moderately since their recent peak in late March or early April. Before the present set-back, prices in France had been increasing more rapidly than those in other countries, with a gain of 50 percent since April 1936. Prices in Belgium and the Netherlands in the last 12 months have increased about half as rapidly as those in France.

The combined index of wholesale prices in the currencies of seven foreign countries which are important markets for American farm products, advanced sharply in March to 87 percent of the 1926 average, compared with 74 percent a year earlier. Since then declines have occurred.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers for farm products in mid-April was 130 percent of pre-war, compared with 128 percent in March, 127 in February, and 105 in April 1936. Prices paid by farmers for commodities have risen appreciably in recent months to 134 percent of the pre-war average in April, compared with 121 percent a year earlier. The ratio of prices received to prices paid by farmers in April was 97 percent of the pre-war average, the same as in March, as compared with the recent high of 101 (revised figure) in January and 87 in April 1936.

Changes in market prices between April and May indicate that the general level of prices received by farmers in mid-May is somewhat lower than a month earlier. Wheat, cotton, cattle, lambs, eggs and potatoes appear to be lower; fruits, poultry and dairy products are higher; while wool and hogs are about the same.

The outlook for the commodities indicated in this report points to some further lowering of the general level of prices received by farmers during the next few months.

FARM INCOME

A fairly well sustained volume of marketings of the more important farm products, as well as a further advance in prices received by farmers, were the most important features of the farm income situation in April. Preliminary indications as to marketings of farm products point to a less than usual decrease in the month's income from farm marketings. Cash farm income from sales of farm products in April was somewhat less than in March but substantially greater than in April 1936. Government payments to farmers this April also were larger than in April last year.

The volume of grain marketings was only slightly less than in March while marketings of cotton and meat animals decreased by a less than the usual amount. Farm product prices advanced from March 15 to April 15 and as of the latter date the index of prices received by farmers reached 130 percent of the pre-war level, or the highest level for that date since 1930. Compared with April 1936, gains in income were recorded this April in all major groups of commodities. Wheat, cotton and potatoes made the largest increases. Corn was the only major product for which income fell materially below that of April 1936 because of smaller sales, while income from hogs was practically the same as in April last year.

As prices of farm products during the next several months probably will continue to average considerably higher than in the same months last year and as Government payments to farmers probably will be as large or larger, total cash farm income during May and June is expected to be higher than in the same months last year. While the gain in income from farm marketings in this period over a year earlier may not be as large as the gain in the first 4 months of the current year, cash farm income for the first half of 1937 will be materially larger than in the first 6 months of 1936.

WHEAT

Indications continue to point to a total United States wheat production considerably in excess of domestic requirements. However, with world stocks reduced to below normal as the result of 3 successive years of small world wheat production, United States surplus supplies this year should be readily absorbed in foreign markets.

The necessary adjustment of prices of domestic export types relative to world wheat price levels has largely taken place, and domestic prices from now on will tend to be dominated by the same factors as influence world prices. With small stocks in both exporting and importing countries, prices in 1937-38 will be highly dependent upon the size of the 1937-38 world crop.

Present prospects indicate that it is not unlikely that world production in 1937-38 will be large enough fully to satisfy usual world requirements. If the crop is not materially in excess of average disappearance, 1937-38 prices in importing countries may be expected to average about the same as in 1936-37, with prices of domestic hard red winter and soft white wheat lower than prices in importing countries by the amount of the shipping differential. Another small world crop, increased demand, or a materially higher general price level would be expected to result in even higher foreign prices in 1937-38 than in 1936-37.

During the past month domestic and foreign wheat prices, influenced largely by favorable new crop prospects, continued the decline which started in early April. For the week ended May 8, Liverpool July contracts were 13 cents lower than for the week ended April 10, while No. 2 Hard Winter at Kansas City and No. 2 Red Winter at St. Louis each declined an average of 10 cents. With world stocks at the lowest level of recent years, prices may be expected to be unusually sensitive to new crop prospects. In years in which crop prospects continued favorable, June prices have generally averaged lower than May prices.

CORN AND OTHER FEED GRAINS

Daily corn prices fluctuated widely during the last half of April and the first week of May, but net weekly changes were comparatively small. The weekly average prices of No. 3 Yellow corn and No. 3 White oats at Chicago declined slightly from the week ended April 10 to the week ended May 8, while the price of No. 3 barley at Minneapolis showed some improvement.

From now on corn prices will be influenced to an increasing degree by new crop growing conditions. The price of corn is expected to remain high relative to prices of small grains during the summer months. Prospects for the 1937 oats and barley crops are now a dominant factor influencing prices of these grains, and declining prices are in prospect if production is near average. On May 1 pasture conditions for the entire country were about 13 per cent below average; conditions were most unfavorable in the Western Corn Belt States where temperatures have been below average and pastures are still suffering from the severe drought of last year. Livestock feeding ratios have remained unfavorable and a further weakening of demand from livestock producers seems probable when the spring forage crops have made sufficient growth to supply a larger proportion of their feeding needs. Imports of corn in March totaled about 9,500,000 bushels, which is larger than in any other month of the present marketing year.

Corn prices have been supported during the past few weeks apparently by the fact that supplies of corn on many farms have reached such a low point that producers are reluctant to market any possible surplus until their feeding requirements for the remainder of the year are more definitely known. Furthermore, demand from corn industries has been active, and commercial stocks declined during April despite prevailing high prices.

Some support to corn prices may have been given by the uncertainty of new crop prospects. Planting in most of the important producing areas has been retarded by unfavorable weather conditions, and spring farm work is estimated to be one to two weeks late throughout most of the Middle West.

COTTON

Spot cotton prices at the ten markets declined considerably during April, recovered slightly in the first week of May and declined again the following week. The high for the month of April was 14.82 cents on April 1 and the low 13.05 on the 29th. The average for the month was 13.91 cents compared with 14.15 in March and 11.57 cents in April 1936. The average for the week ended May 8 was 13.36 cents and for the 4 days May 9 to 13, inclusive, 13.05 cents.

The Commodity Credit Corporation announced on May 7 that requests for releases totaling 1,300,000 bales of loan cotton had been received through May 6. This means that stocks of government financed spot cotton are down to slightly less than 1,700,000 bales. Government financed stocks have been reduced by half since the beginning of the present marketing season.

Domestic mills consumed 719,000 bales in April. Consumption was smaller than in March, partly because of fewer working days. Total utilization in the 9 months ended April was 6,011,000 bales. A continued high level of mill activity was made possible by the backlog of unfilled orders which is still comparatively large. It is reported by the trade that mill sales of goods during April and the first part of May were considerably below mill output. It is common for buyers to hold off during a declining cotton market just as the reverse is true of a strong market. April exports of 373,000 bales were slightly larger than exports in the corresponding month last year. This is the fourth consecutive month in which exports have been about the same as, or larger, than a year earlier. Total exports in the 9-month period through April, however, were 8 percent less than shipments in the corresponding period last season.

WOOL

The domestic wool situation has not changed materially in the past month. A large part of the new domestic clip has been sold at prices somewhat higher than those of a year earlier and higher than at any time since 1929. Demand for wool in both domestic and foreign markets has been strong this year and world supplies are below average. Supplies later in 1937, however, will be governed by the new clip in the Southern Hemisphere which will become available in the late summer and early fall. Little change in domestic wool prices is probable during the next few months.

Trading in spot wools in the domestic market was very light in April and prices were largely nominal and unchanged. Prices paid for new clip wools in producing areas the latter part of April showed little change compared with late March quotations. Wool prices in foreign markets were firm to slightly higher in April, but weakened slightly in early May.

Consumption of wool by United States mills in the first quarter of 1937 was greater than in the first quarter of any year since 1923. Although there is as yet no indication of a reduction in mill consumption in this country, it is possible that the high activity in recent months may have been at the expense of activity later in the year.

Stocks of apparel wool held by United States dealers and manufacturers on March 27 totaling about 120,000,000 pounds scoured basis were 14 percent larger than a year earlier. The reduction in supplies in Southern Hemisphere exporting countries, however, at the beginning of April, was much larger than the increase in stocks in this country. The 1936-37 selling season was practically over in the Southern Hemisphere at the end of April.

HOGS

An advance in hog prices equal to about the usual seasonal rise appears in prospect this summer in view of the probable seasonal reduction in hog slaughter during this period. The relatively large stocks of hogs products, especially lard, in storage and the large increase in hog marketings during the last 4 months over those of a year earlier prevented the usual spring advance in hog prices. Although the spring pig crop of this year probably will be smaller than that of 1936, the crop farrowed next fall is expected to be larger than that of last fall, if 1937 corn yields are average or better.

Although hog prices in April averaged slightly lower than in March they were little different from those of other months of this year. The weekly average price of hogs at Chicago has fluctuated around \$10.00 per hundred pounds since the beginning of 1937. Steady hog prices and advancing corn prices in March or April resulted in a hog-corn price ratio much below average and near the lowest on record for these months. This unfavorable ratio has been reflected in earlier than usual marketings of fall pigs this spring.

Inspected slaughter of hogs in April, totaling 2,810,000 head, was slightly smaller than for March, but it was about 10 percent larger than that of April last year. In every month thus far in the current hog marketing year, beginning last October, hog slaughter has exceeded that of the corresponding month a year earlier. The larger slaughter thus far in 1936-37 reflects not only the increase in the pig crops of 1936 over those of 1935 but also earlier marketings of hogs this year, resulting from the shortage and high prices of feed grains. If crop conditions are favorable this summer it seems probable that hog slaughter in the remainder of the marketing year (up to September 30) will be smaller than a year earlier. Total supplies of hog products in this period, however, will be larger than in the same month of 1936 because of the very large stocks of hog products now on hand.

CATTLE

With small marketings of grain-fed cattle in prospect for the remainder of 1937, it is probable that prices of the better grades will be higher in the late summer than a year earlier, and possibly higher than in the early spring of this year. Prices of the lower grades of slaughter cattle may decline less than the usual seasonal amount this summer and fall because of the relatively strong demand for meats and hides, and the increase in demand for replacement cattle in prospect if feed crop conditions are about normal.

Prices of the better grades of slaughter steers at Chicago averaged slightly lower in April than in March. The supply of heavy well-finished steers was small, however, and substantial premiums were offered for such kinds. The top price of slaughter steers at Chicago in April was \$16.60 per 100 pounds, the highest price paid at that market since 1930; but prices of heavy steers declined sharply in early May. Slaughter supplies of cows and heifers were relatively small in April, and prices of such cattle advanced moderately. Because of the high level of feed prices and the relatively high prices for slaughter cattle, there was little competition for feeder cattle during the month.

The number of cattle slaughtered under Federal inspection in April, totaling 802,000 head, was 3 percent smaller than in March and 1 percent smaller than a year earlier. Although the inspected slaughter of calves in April usually is the largest for any month of the year, the number slaughtered in April this year was 1 percent smaller than the unusually large slaughter in March. Nevertheless, inspected calf slaughter in April, totaling 588,000 head, was 12 percent larger than a year earlier, and again the largest for the month on record.

LAMBS

As the early spring lamb crop is somewhat smaller than last year and is late in most areas, it is probable that marketings of lambs will not show much increase before July. Ordinarily prices of new crop lambs begin to decline in early June, but it is expected that the seasonal decline in prices this summer will occur later than usual.

Prices of fed lambs advanced the first 3 weeks of April to a level slightly higher than that reached in mid-March. The top price of fed woolled lambs of \$13.35 at Chicago was the highest for the month since 1929. Prices of spring lambs also advanced in the first half of April, but prices of both fed lambs and spring lambs declined in late April and early May. Prices of shorn lambs sold from \$1.50 to \$2 below comparable grades of woolled lambs. Ordinarily prices of fed woolled lambs sell at prices somewhat lower than spring lambs, but because of relatively high prices of woolled pelts this year, prices of the two kinds of lambs have been about the same.

Slaughter of sheep and lambs under Federal inspection in April, totaling 1,334,000 head, was 2 percent larger than for March and 5 percent larger than for April 1936. Marketings of fed lambs decreased sharply during the month, and the market movement of such lambs has been about completed. The reduction in supplies of fed lambs during the month, however, was offset by a sharp increase in marketing of grass-fat yearlings from Texas and by larger marketings of spring lambs. Eastern shipments of California lambs in April were indicated to be about half as large as those of last year, but drying ranges in northern California may accelerate the movement of the balance of this year's reduced spring lamb crop from that State. The movement of Texas yearlings and wethers probably will continue large through June, but supplies of new crop lambs are expected to be smaller than average until July, at least.

BUTTER

Butter production continues relatively low, being somewhat less than a year earlier, and except for 1935 the lowest since 1930. In contrast with the relatively low production, the movement of butter into consuming channels has been considerably larger than a year earlier, and storage stocks have been reduced rapidly. The larger movement into consuming channels has occurred even though retail prices have been considerably higher than a year earlier. It seems probable that consumer expenditures for butter during the remainder of 1937 will average higher than in 1936.

Butter prices declined somewhat more than usual from March to April. Prices, however, are still considerably higher than a year ago. The price of butterfat is unusually low in relation to feed grains, and also low in relation to meat animals. These low prices of butterfat in relation to feeds will probably continue until new crops are available.

Pastures improved in April but the condition on May 1 was decidedly below average. If pastures are average or better during the coming summer, butter production probably will be considerably greater than in the summer of 1936. The improvement in the purchasing power of consumers, however, will offset in large part the effect of the larger production on prices.

POULTRY AND EGGS

The farm price of eggs changed little from March 15 to April 15 while the market price declined. In most years prices begin to rise by June, and by December have doubled. With storage stocks of eggs continuing to accumulate above last year's level, it is doubtful that the seasonal increase in farm prices of eggs this year will be as great as average. The reduced hatch now expected will tend to reduce fresh supplies of eggs to some extent during the fall of 1937, but it is not likely to completely offset the price-depressing effect of the storage stock. In early 1938, however, with eggs from the reduced 1937 crop of pullets, a major source of supply, prices may be expected to exceed those of early 1937.

The greater-than-average rise in the farm price of chickens this spring is largely due to the strong consumer demand for poultry. In other years similar to 1937 in regard to good demand and low fresh supplies, there has been either no seasonal decline after June or only a very slight one. Such a year was 1935. The distinguishing feature of 1937, however, is the large stock of frozen poultry now in storage; stocks in 1935 were much smaller. While the net effect of stronger demand and larger stocks would tend to result in a less-than-average seasonal decline in the farm price of chickens this summer and fall, any unusually heavy culling of laying flocks this summer would probably cause a sharp but temporary decline at that time.

CITRUS FRUITS

Oranges: Prices of all oranges continued high during the past month. California Valencias began the season in late April with prices near those of California Navels and somewhat higher than usual. The total supply of California Valencias available for shipment during the remainder of the season is estimated to be about 20 percent below average, and it seems likely that the seasonal rise in prices of this variety during the summer will be somewhat greater than usual.

Total shipments of all oranges to date are about the same as for the corresponding period of last year and the 1934-36 average. The decrease in shipments of California oranges has been offset thus far in the season by larger shipments from Florida and Texas.

Grapefruit: Prices of grapefruit fluctuated considerably during the past month but the general movement was upward. It seems likely that a further seasonal advance will occur before the end of the marketing season.

Weekly shipments of Florida grapefruit continue heavier than those of last year or the 1934-36 average. Total grapefruit shipments for the season through April are more than 50 percent greater than those of last year or the average.

Lemons: Prices of California lemons during April continued higher than usual for that time of year, and in view of the very small crop, they will likely make more than the usual seasonal rise during the summer.

STRAWBERRIES

Strawberries from Louisiana, the major early-producing State, began to move in volume the latter part of April, causing sharp seasonal price declines. The season has been late throughout the early States this year, except Florida, and present indications are that shipments from the intermediate States also will be a little later than usual. As a result of the rather irregular season, it seems likely that there will be more overlapping of marketings from the various States during late May and early June this year than usually occurs. Shipments from Louisiana are not expected to decline much before the last week of May and shipments from North Carolina, Tennessee and Arkansas probably will still be moving in volume when shipments begin from the intermediate States.

Larger crops than last year are forecast for several of the important intermediate States, but these increases are offset almost entirely by very small crops in Missouri and Illinois. The total intermediate crop is estimated to be about 2,000,000 crates, about the same as the crop of last year and considerably below average.

The price-strengthening influence of a total crop in the second early and intermediate States about the same as the small crop of last year, and the material improvement in consumer purchasing power, may be offset by the tendency for shipments to pile up during the season. It seems likely, however, that prices of strawberries from these two groups of States will average as high as those of last year.

PEACHES

Production of peaches in 10 Southern States is forecast at about 10,000,000 bushels, which is 27 percent less than the crop of last year and 32 percent below the 1928-32 average. It now appears that the low temperatures of February and March caused more damage than was evident a month ago. In California the May 1 condition of all peaches is considerably better than the condition on May 1, 1936, or the 1928-32 average May 1 condition.

POTATOES

Potato prices during the first part of May recovered much of the loss experienced during the latter part of April. The current instability of potato prices is attributed largely to the shifting of the principal source of supply from the old to the new crop. The usual trend of prices of new potatoes is downward from April until late summer. The rate of shipments of potatoes from the late Northern States declined sharply during the past month, while that from the early Southern States increased. Owing to the lateness of the Louisiana and Alabama crops, there was a lull in shipments of new potatoes which tended to strengthen prices generally. Shipments from Florida and the lower valley of Texas are about completed for this season, while those from the other early States are just attaining volume. It is likely that the marketings from these States will continue to increase sharply during the next few weeks and practically supplant the movement from the late Northern group during the next month. An increased acreage was planted to potatoes in all of the commercial early States this season, which together with yields above last year and the average, indicate a total supply of new potatoes about one-half again as large as the 1936 crop and four-fifths larger than the average crop for these States. Although increases in production this year over last year are quite general, the sharpest increase occurred in the rapidly developing sections of California where production increased from 5,695,000 bushels in 1936 to 10,350,000 bushels this year. The 1928-32 average for the State is 2,226,000 bushels. This large supply of new potatoes indicates that marketings probably will be unusually heavy during the next several months.

TRUCK CROPS

Price advances of various truck crops more than offset declines during the last month. Because of the retarded development of crops in many areas occasioned by unfavorable growing conditions and rain damage in Southern States, seasonal declines in prices of a number of commodities were checked or delayed.

Snap beans, beets, cabbage, carrots, cauliflower and lettuce were the major vegetable crops showing price advances during this period. Price declines occurred in the markets for peas and spinach.

Cabbage prices strengthened as supplies from the early-producing States tapered off. As shipments from Mississippi and other second-early States gain in volume, declining prices may be expected.

As a result of unfavorable growing conditions in Texas during April, the forecast of the 1937 production of onions in the early States was revised downward and is now indicated to be 37 percent less than the large crop harvested in 1936. Prices of both old and new crops have held steady in recent weeks and lately have shown firmness.

As the season progresses and marketings attain volume from the second-early States, seasonal price declines may be expected on a number of vegetable crops.

Business statistics relating to the demand for farm products, specified periods
(corresponding data for past years were given in table attached to annual outlook report on demand for 1937)

Year and month	Nation- al income	Non- agri- cultural income	Indus- trial pre- duction	Building: con- tracts awarded	Factory: employ- ment	Income of indus- trial workers	Foreign indus- trial pro- duction	all commod- ity prices	Retail food prices	Prices received by farmers	Prices paid by farmers	Ratio of prices received to prices paid
	1/ :	2/ :	3/ :	3/ :	4/ :	5/ :	6/ :	7/ :	8/ :	9/ :	10/ :	:
Base period	1929	1924-29	1923-25	1923-25	1923-25	1924-29	1923-25	1910-14	1913	1910-14	1910-14	1910-14
1929	100	107	119	117	105	106	136	139	166	146	153	95
1930	93	100	96	92	91	87	124	126	158	126	145	87
1931	78	85	81	63	77	67	110	107	130	87	124	70
1932	62	67	64	28	66	46	97	95	108	65	107	61
1933	57	63	76	25	72	48	107	96	105	70	109	64
1934	64	70	79	32	82	60	116	109	117	90	123	73
1935	68	75	90	37	86	67	124	117	127	108	125	86
1936	76	85	105	55	92	77	134	118	130	114	124	92
Mar.		82	93	47	88	71	130	116	126	104	121	86
Apr.		79	100	47	89	73	133	116	126	105	121	87
May		82	101	46	90	75	134	115	127	103	121	85
June		83	104	52	90	75	132	116	133	107	120	89
July		82	108	59	91	77	134	118	133	115	123	93
Aug.		84	103	62	94	78	135	119	133	124	126	98
Sept.		85	109	59	96	77	138	119	134	124	127	98
Oct.		87	110	57	97	81	139	119	131	121	127	95
Nov.		90	114	58	97	84	140	120	131	120	127	94
Dec.		97	121	66	98	87	141	123	131	126	128	98
1937												
Jan.		83	114	63	96	87	11/138	125	134	131	130	101
Feb.		89	116	62	99	88	140	126	134	127	132	96
Mar.		90	118	55	101	91		128	135	120	132	97
Apr. 11/								128	136	130	134	97

Continued -

NOTES -

Index numbers of factory employment and income of industrial workers, which appeared in the similar table accompanying the annual demand outlook statement of last November, have been revised based on revised data of the Bureau of Labor Statistics.

- 1/ Department of Commerce index of "national income paid out", 1929 = 100. Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties for these services.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries -- United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
- 10/ Bureau of Agricultural Economics, 1910-14 = 100.
- 11/ Preliminary.

